الملكية الأردنية
ROYAL JORDANIAN

Ref : FIN/CFO/ 166/2018
Date : Oct. 31st 2018

Messrs. Jordan Securities Commission
Amman - Jordan

Please find attached, copy of the Unaudited Interim Condensed Consolidated Financial Statements as of September 30th 2018.

Best Regards,

Alia – The Royal Jordanian Airlines

هيئة الأوراق المالية
الدائرة الإدارية / المستندات
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ALIA -THE ROYAL JORDANIAN AIRLINES COMPANY (ROYAL JORDANIAN)

A PUBLIC SHAREHOLDING COMPANY

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018

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Report on Review of Interim Condensed Consolidated Financial Statements
To the Board of Directors of
Alia -The Royal Jordanian Airlines Company (Royal Jordanian)
Amman - Jordan

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Alia - The Royal Jordanian Airlines Company and its subsidiaries (the Group) as at 30 September 2018, comprising the interim consolidated statement of financial position as at 30 September 2018 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine months period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Amman - Jordan
29 October 2018

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Financial Position
At 30 September 2018
(In Thousands of Jordanian Dinars)

	Notes	30 September 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Non- current assets			
Property and equipment	4	272,123	292,250
Advances on purchase and modification of aircrafts		5,081	35,993
Financial assets at fair value through other comprehensive income		5,992	5,992
Investments in associates		17,577	16,715
Restricted cash against operating lease contracts		32,611	28,469
Deferred tax assets		14,920	14,920
		348,304	394,339
Current assets			
Other current assets		30,702	27,048
Spare parts and supplies, net		11,567	12,508
Accounts receivable, net		47,185	35,617
Cash and bank balances	5	119,195	101,393
		208,649	176,566
Assets classified as held for sale	6	11,185	-
TOTAL ASSETS		568,138	570,905
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid in capital	9	246,405	146,405
Share discount	9	(61,000)	-
Payments in respect of capital increase	9	1,997	25,000
Statutory reserve	9	13,509	13,509
Fair value reserve		3,771	3,771
Accumulated losses		(78,415)	(88,607)
		126,267	100,078
Non-controlling interests		269	257
Total shareholders' equity		126,536	100,335
LIABILITIES			
Non- current liabilities			
Long term loans	7	83,615	118,685
Long term obligations under finance leases	8	107,631	114,534
Accounts payable		-	16,764
Other long term liabilities		396	433
		191,642	250,416
Current liabilities			
Current portion of long term loans	7	44,366	38,099
Accrued expenses		80,737	62,747
Accounts payable and other current liabilities		53,869	61,923
Income tax provision		1	34
Deferred revenues		57,719	46,507
Short term obligations under finance leases	8	9,155	10,844
		245,847	220,154
Liabilities associated with assets classified as held for sale	6	4,113	-
Total liabilities		441,602	470,570
TOTAL EQUITY AND LIABILITIES		568,138	570,905

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of comprehensive income
For The Three and Nine Months Period Ended 30 September 2018 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
Revenues	10	198,168	193,704	510,317	471,639
Cost of revenues	11	(152,934)	(139,942)	(430,304)	(405,932)
Gross profit		45,234	53,762	80,013	65,707
Administrative expenses		(4,870)	(4,840)	(14,946)	(14,069)
Selling and marketing expenses		(11,205)	(12,698)	(34,695)	(34,037)
Net operating profit		29,159	36,224	30,372	17,601
Share of results of associates		314	(288)	1,500	655
Other (expense) income, net		(916)	55	(2,634)	344
Provision for voluntary termination	16	20	-	(1,439)	(1,243)
Gain (loss) on sale of property and equipment		-	(1)	5	(3)
(Loss) gain on foreign currency exchange		(1,375)	438	(3,480)	1,309
Finance costs		(4,103)	(4,729)	(12,277)	(13,689)
Profit before tax for the period from continuing operations		23,099	31,699	12,047	4,974
Income tax provision	12	-	(10)	-	(10)
Profit for the period from continuing operations		23,099	31,689	12,047	4,964
Discontinued operations					
(Loss) profit after tax from discontinued operations	6	(240)	106	(1,843)	482
Profit for the period		22,859	31,795	10,204	5,446
Add: Other comprehensive income items after tax		-	-	-	-
Total comprehensive income for the period		22,859	31,795	10,204	5,446
Attributable to:					
Equity holders of the parent		22,858	31,792	10,192	5,417
Non-controlling interests		1	3	12	29
		22,859	31,795	10,204	5,446
Basic and diluted earnings per share attributable to equity holders of the parent		JD 0.093	JD 0.129	JD 0.046	JD 0.024
Basic and diluted earnings per share from continuing operations after tax attributable to equity holders of the parent		JD 0.094	JD 0.129	JD 0.054	JD 0.022

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Changes in Equity
For The Nine Months Period Ended 30 September 2018 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent								
	Paid in capital	*Share discount*	*Payments in respect of capital increase*	*Statutory reserve*	*Fair value reserve*	*Accumulated losses*	*Total*	*Non – controlling interests*	*Total equity*
For the nine months period ended 30 September 2018									
Balance as of 1 January 2018	146,405	-	25,000	13,509	3,771	(88,607)	100,078	257	100,335
Total comprehensive income for the period	-	-	-	-	-	10,192	10,192	12	10,204
Payments in respect of capital increase (note 9)	-	-	15,997	-	-	-	15,997	-	15,997
Capital increase	100,000	(61,000)	(39,000)	-	-	-	-	-	-
Balance as of 30 September 2018	**246,405**	**(61,000)**	**1,997**	**13,509**	**3,771**	**(78,415)**	**126,267**	**269**	**126,536**
For the nine months period ended 30 September 2017									
Balance as of 1 January 2017	146,405	-	-	13,455	3,771	(88,749)	74,882	229	75,111
Total comprehensive income for the period	-	-	-	-	-	5,417	5,417	29	5,446
Payments in respect of capital increase (note 9)	-	-	25,000	-	-	-	25,000	-	25,000
Balance as of 30 September 2017	146,405	-	25,000	13,455	3,771	(83,332)	105,299	258	105,557

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Cash Flows
For The Nine Months Period Ended 30 September 2018 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the nine months ended 30 September 2018	2017
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**12,047**	4,974
(Loss) profit before tax from discontinued operations	6	**(1,843)**	482
Profit before tax for the period		**10,204**	5,456
Adjustments for:			
Depreciation of property and equipment		**28,870**	24,697
Share of profit of associates		**(1,500)**	(655)
Finance costs		**12,277**	13,689
(Gain) loss on sale of property and equipment		**(5)**	3
Provision for voluntary termination	16	**1,439**	1,243
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		**(225)**	(225)
Other provisions		**225**	-
Working capital changes:			
Accounts receivable		**(14,926)**	(6,330)
Spare parts and other supplies		**941**	(926)
Other current assets		**(4,578)**	5,804
Deferred revenues		**11,437**	9,907
Accounts payable and other current liabilities		**(23,071)**	(34,898)
Accrued expenses		**19,063**	3,920
End of service indemnity paid		**(37)**	(248)
Voluntary termination program payments		**(1,439)**	(1,217)
Income tax paid		**(33)**	(73)
Net cash flows from operating activities		**38,642**	20,147
INVESTING ACTIVITIES			
Purchase of property and equipment		**(13,268)**	(1,434)
Proceeds from sale of assets held for sale		**426**	284
Proceeds from sale of property and equipment		**12**	-
Sale of financial assets at fair value through other comprehensive income		**-**	2
Change in restricted cash against lease contracts		**(4,142)**	(2,023)
Recoveries (advances) on purchase and modification of aircrafts		**29,902**	(7,907)
Dividends received from associates		**638**	1,299
Short term deposits		**12,193**	19,156
Net cash flows from investing activities		**25,761**	9,377
FINANCING ACTIVITIES			
Repayment of term loans		**(29,388)**	(26,301)
Finance lease obligations		**(8,592)**	(11,241)
Interest paid		**(10,984)**	(11,445)
Capital increase		**15,997**	-
Net cash flows used in financing activities		**(32,967)**	(48,987)
Net increase (decrease) in cash and cash equivalents		**31,436**	(19,463)
Cash and cash equivalents, beginning of the period		**72,919**	92,874
Cash and cash equivalents, end of the period	5	**104,355**	73,411

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

1. GENERAL

Alia - The Royal Jordanian Airlines Company (Royal Jordanian), the "Company", was registered as a Jordanian public shareholding company on 5 February 2001. The Company's head office is located in Amman – Jordan.

The Company's objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for aircrafts that land in and take off from the airports of the Kingdom.

The Jordanian Civil Aviation Authority granted the Company the exclusive right to utilise the Jordanian Traffic Rights for International Routes, from Amman, for the operation of scheduled flights. The initial contract started on 5 February 2002 for the term of four years, which was renewed for another 4 years on 5 February 2006 which ended on 2 February 2010.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 29 October 2018.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial statements as of 31 December 2017. In addition, results of the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Changes in accounting policies:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the Group to record an allowance for expected credit losses for all debt instruments measured at amortized cost.

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognised in retained earnings. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. It is the Group's policy to measure such instruments on a 12-month ECL basis.

These amendments do not have any material impact on the Group's interim condensed consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 was not material on the Group's interim condensed consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.
These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments.

In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as at 30 September 2018:

	Ownership Interest	Country
Royal Wings Company (Note 6)	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Al Mashriq for Aviation services	100%	Jordan

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are consolidated from the control date until stop this control. Revenue and expenses of the subsidiaries are consolidated in the consolidated statement of comprehensive income from the date of control until stop this control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

Shareholders who have a significant influence over the Group

The Government of the Hashemite Kingdom of Jordan presented by Governmental Investment Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 76.4%, 9.1% and 5.9%, respectively from the Company's shares as at 30 September 2018 (31 December 2017: 60%, 15% and 10% respectively).

4. PROPERTY AND EQUIPMENT

During the nine months period ended 30 September 2018, the Group acquired property and equipment with a cost of JD 13,268 (30 September 2017: JD 91,925).

5. CASH AND CASH EQUIVALENTS

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Cash and bank balances	**24,941**	27,514
Short term deposits*	**54,978**	28,709
Cash in transit **	**22,995**	16,696
Cash and cash equivalents	**102,914**	72,919
Short term deposits mature after 3 months ***	**16,281**	28,474
	119,195	101,393

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 September 2018 with an interest rate ranging between 4.25% - 5. 75% (31 December 2017: 4.5%- 5%).

** This item represents cash received on tickets sales and other sales during September that were deposited in the Group's bank accounts during October.

*** This item represents deposit in Banks in Jordanian Dinar (JD 11,768) and Sudanese Pound (196,164 thousands Sudanese Pound, which is equivalent to JD 4,513) (31 December 2017: deposits in Jordanian Dinars 20,752 and Sudanese Pound 215,302 thousands, which is equivalent to JD 7,722), with an average interest rate of 4.5% (31 December 2017: 5.13%) and are due within four months (31 December 2017: four months).

For the purposes of the interim consolidated statement of cash flows, the following represents the details of the cash and cash equivalents:

	30 September 2018 (Unaudited)
Cash and cash equivalents	**102,914**
Add: discontinued operations (Note 6)	**1,441**
	104,355

6. DISCONTINUED OPERATIONS

The Company's Board of Directors resolved on 26 September 2018 to sell Royal Wings Company (wholly owned subsidiary). Accordingly, Royal Wings Company was classified as assets held for sale in the interim consolidated statement of financial position as at 30 September 2018 in accordance with IFRS 5.

Royal Wings Company was classified as at 30 September 2018 as assets held for sale and discontinued operations for the period then ended. The result of Royal Wings Company for the period is presented as follows:

	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)
Revenues	**9,449**	15,047
Cost of revenues	**(10,556)**	(13,688)
Gross (loss) profit	**(1,107)**	1,359
Administrative expenses	**(538)**	(911)
Other (expense) income, net	**(198)**	34
(Loss) profit before tax from discontinued operations	**(1,843)**	482
Income tax	-	-
(Loss) profit from discontinued operations	**(1,843)**	482

Major classes of Royal Wings Company's assets and liabilities classified as held for sale are as follows:

	30 September 2018 (Unaudited)
ASSETS	
Property and equipment	**6,698**
Accounts receivable and other debit balances	**3,046**
Cash and bank balances	**1,441**
Assets classified as held for sale	**11,185**
LIABILITIES	
Accounts payable and other credit balances	**1,747**
Accrued expenses	**2,366**
Liabilities associate with assets classified as held for sale	**4,113**
Net assets classified as held for sale	**7,072**

7. LOANS

	30 September 2018 (Unaudited)		31 December 2017 (Audited)	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	**45,146**	**84,655**	38,879	120,310
Less: directly attributable transaction costs	**(780)**	**(1,040)**	(780)	(1,625)
	44,366	**83,615**	38,099	118,685

* On 20 December 2015, the Company signed a new syndicated loan agreement amounted to JD 195 million (USD 275 million), the loan bears annual interest rate of one month LIBOR plus 3%. The loan is repayable in 49 installments. The first installment amounting to JD 3 million fell due on 20 January 2017 and the last installment will fall due on 20 January 2021.

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents (GSA) in 23 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

Principal installments payable for the period ended 30 September 2018 and after are as follows:

Period	Amount
1 October 2018– 30 September 2019	45,146
1 October 2019– 30 September 2020	61,800
1 October 2020– 30 September 2021	22,855

8. OBLIGATIONS UNDER FINANCE LEASES

	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	E-175	*B-787*	Total	E-175	*B-787*	Total
Long term obligations	-	107,631	107,631	-	114,534	114,534
Short term obligations	-	9,155	9,155	1,975	8,869	10,844
	-	116,786	116,786	1,975	123,403	125,378

- **B-787 Lease Agreement - Aircraft Number 37984**

The lease agreement was signed on 15 November 2016 with a total amount of USD 92,500,000 (JD 65,602). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.25%. The lease provides for 48 quarterly installments commencing on 15 February 2017. As of 30 September 2018, the outstanding balance was JD 57,938 (31 December 2017: JD 61,291).

- **B-787 Lease Agreement - Aircraft Number 37985**

The lease agreement was signed on 15 January 2017 with a total amount of USD 92,031,250 (JD 65,270). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.35%. The lease provides for 48 quarterly installments commencing on 15 April 2017. As of 30 September 2018, the outstanding balance is JD 58,848 (31 December 2017: 62,112).

The Company has mortgaged the Boeing B787 aircrafts for the finance lease agreements of these aircrafts.

Pledge release procedures were completed during June 2018 for the Embraer E175 number 223 and the Embraer E175 number 232 aircrafts. The Group has settled all lease balances related to the lease of these contracts of these aircrafts.

Principal installments payable for the period ended 30 September 2018 and after relating to aircrafts delivered are as follow:

Period	Amount
1 October 2018– 30 September 2019	9,155
1 October 2019– 30 September 2020	9,552
1 October 2020– 30 September 2021	9,965
1 October 2021– 30 September 2022	10,396
1 October 2022 and after	77,718
	116,786

Minimum lease payments under all finance leases are as follows:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Total minimum lease payments	**145,958**	165,361
Interest	**(29,172)**	(39,983)
	116,786	125,378

9. SHAREHOLDER'S EQUITY

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Paid in capital -		
Authorized capital (274,610,470 shares of 1 JD each)	**274,610**	246,405
Paid in capital	**246,405**	146,405

- Share discount

Share discount amounted to JD 61 million as at 30 September 2018. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

- Payments in respect of capital increase

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to restructure the Company's Capital by reducing it through writing off part of the Company's accumulated losses and increasing the Company's capital by 200 million shares with a par value of JD 1 per share. Capital increase procedures were completed for the first tranche of JD 100 million of the Company's capital increase process during 2016.

The Prime Ministry resolved in its meeting held on 6 September 2017 to approve government's subscriptions presented by Governmental Investment Management Company in 50% of the second tranche of the suggested capital increase of JD 100 million (JD 50 million). The government shall subscribe in 100% of the capital increase if the major shareholders do not subscribe in the ramming 50%. Subscription was completed through capitalization of JD 25 million of the amounts due to the Governmental Investment Management Company and through cash payments of the remaining amount. Subscription was calculated using the share price in Amman Stock Exchange "ASE" on the date of the resolution (JD 0.390). Accordingly, an amount of JD 25 million was reclassified from long term liabilities to advance payments over capital increase in the consolidated financial statements as at 31 December 2017. Part of the second tranche was subscribed during February 2018. Accordingly, paid in capital amounted to JD 246,405, resulting in a share discount of JD 61 million as at 30 September 2018. The General Assembly approved in its extraordinary meeting held on 26 April 2018 to increase the Company's authorized capital by 28,205,128 shares to become 274,610,470 shares as a completion of the first half of the second tranche of the Company's capital increase process amounted to JD 50 million. Those shares were not issued as of the date of the interim condensed consolidated financial statements.

- Statutory Reserve

As required by Jordanian Company Law, 10% of the profit before income tax is transferred to statutory reserve. This reserve is not available for distribution to the shareholders.

10. REVENUES

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2018	2017	**2018**	2017
Scheduled Services				
Passengers	**165,045**	160,741	**417,170**	384,406
Cargo	**9,038**	8,248	**28,158**	25,045
Excess baggage	**1,439**	1,250	**3,739**	3,163
Airmail	**1,979**	1,526	**5,644**	4,475
Total scheduled services (note 14)	**177,501**	171,765	**454,711**	417,089
Chartered flights (note 14)	**2,202**	4,276	**6,294**	9,678
Commercial revenues from arriving and departing aircrafts of other companies	**2,914**	3,529	**8,508**	8,686
Revenues from technical and maintenance services provided to other companies	**1,300**	1,140	**3,160**	3,078
Revenue from services provided to other companies	**159**	373	**648**	1,195
Cargo warehouse revenues	**4,310**	3,837	**12,381**	9,746
First class services revenues	**2,010**	1,399	**4,502**	3,522
Change reservation fees	**1,715**	1,848	**4,815**	4,775
Revenues from National Distribution Center (Gallileo)	**1,041**	1,270	**2,790**	3,010
Other revenues	**5,016**	4,267	**12,508**	10,860
	198,168	193,704	**510,317**	471,639

11. COST OF REVENUES

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2018	2017	**2018**	2017
Flying operations costs				
Aircraft fuel	**47,272**	33,037	**122,209**	92,245
Other flying operations costs	**16,763**	14,466	**48,301**	46,909
Total flying operations costs	**64,035**	47,503	**170,510**	139,154
Repair and maintenance	**19,084**	19,485	**56,865**	58,964
Aircraft rental expenses	**21,317**	20,434	**59,087**	62,244
Depreciation of aircraft and engines and capitalized maintenance	**7,730**	8,046	**25,692**	22,129
Stations and ground services	**14,643**	17,649	**46,822**	48,894
Ground handling unit	**5,455**	5,803	**16,287**	16,684
Passenger services	**20,670**	21,022	**55,041**	57,863
	152,934	139,942	**430,304**	405,932

12. INCOME TAX

No provision for income tax was calculated by the Company for the nine months period ended 30 September 2018 due to the excess of prior years' tax losses over taxable income in accordance with the Income Tax Law No. (34) of 2014.

Provision for income tax charge during the period ended 30 September 2017 with an amount of JD 10 represent the income tax expense incurred by Royal Tours for Travel and Tourism Company – Limited Liability Company (Subsidiary) for the period ended 30 September 2017.

The Income and Sales Tax Department raised a claim to RJ by an amount of JD 701 which represents sales tax differences for the years 2012, 2013 and 2014. The Company appealed the case at the Tax Court. The case is still outstanding up to the date of the interim condensed consolidated financial statement. Although results of the case can not be determined accurately, management believes that no material liability is likely to result.

The Company filed its tax returns with the Income and Sales Tax Department for the year 2017. Income Tax Department has not reviewed the accounting records up to the date of the interim condensed consolidated financial statements.

The Company reached a final settlement with the income Tax department up to 2014.

Royal Wings Company filed its tax returns with the Income and Sales Tax Department for the years 2017 and 2016. Income tax Department has not reviewed the accounting records up to the date of the interim condensed consolidated financial statements.

Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to 2014.

Royal Tours Company reached a final settlement with the income tax department up to 2015.

Al Mashriq for Aviation Services Company filed its tax return for the years 2017, 2016 and 2015. Income Tax Department has not reviewed the Company's records up to the date of the interim condensed consolidated financial statements.

Al Mashriq for Aviation Services Company reached a final settlement with the Income Tax Department up to 2014.

13. COMMITMENTS AND CONTINGENCIES

- Bank guarantees

As at 30 September 2018, the Group has letters of guarantee amounting to JD 12,008 (31 December 2017: JD 15,034).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 16,150 as at 30 September 2018 (31 December 2017: JD 17,038) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision, the management and their legal advisors believe that no material liabilities are likely to result.

- Capital Commitments

As at 30 September 2018, the Group had capital commitments of USD 423,714,932 (31 December 2017: USD 508,539,929) equivalent to JD 300,507 (31 December 2017: JD 360,667) relating to agreements signed for the purchase of three new aircrafts. The Group has the option not to purchase these aircrafts given that it informs the aircrafts producer during a maximum period of thirty seven months prior to the date of delivery of these aircrafts.

- Operating lease commitments

As of the date of these interim condensed consolidated financial statements, Alia - The Royal Jordanian Airlines Company has future commitments, which represent operating lease agreements in respect of six Airbus A-320 aircrafts, two Airbus A–321 aircrafts, four Airbus A–319 aircrafts, one Embraer E-175 aircraft and five Boeing B-787 aircrafts.

Future minimum lease payments under the operating leases are detailed as follows:

Period	JD
1 October 2018 – 30 September 2019	63,467
1 October 2019 – 30 September 2020	60,063
1 October 2020 – 30 September 2021	55,521
1 October 2021 – 30 September 2022	54,103
1 October 2022 and after	173,964

14. GEOGRAPHICAL DISTRIBUTION OF REVENUES

All operations are integrated under the airline business. The Group does not have any segment information other than the geographical distribution of revenues.

For the three months ended 30 September (Unaudited)

	2018				2017			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	19,082	215	493	19,790	21,130	328	745	22,203
Europe	50,754	63	335	51,152	45,482	1,508	277	47,267
Arab Gulf	43,215	-	-	43,215	44,776	232	100	45,108
America	47,783	-	1,096	48,879	43,287	-	-	43,287
Asia	12,645	-	-	12,645	13,367	-	-	13,367
Africa	4,022	-	-	4,022	3,723	65	1,021	4,809
Total revenues	177,501	278	1,924	179,703	171,765	2,133	2,143	176,041

For the nine months ended 30 September (Unaudited)

	2018				2017			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	52,998	590	1,046	54,634	55,724	699	2,369	58,792
Europe	126,764	265	1,091	128,120	106,602	1,635	1,132	109,369
Arab Gulf	112,426	-	81	112,507	106,769	568	490	107,827
America	109,493	-	2,966	112,459	96,510	-	2,720	99,230
Asia	38,985	255	-	39,240	39,438	-	-	39,438
Africa	14,045	-	-	14,045	12,046	65	-	12,111
Total revenues	454,711	1,110	5,184	461,005	417,089	2,967	6,711	426,767

15. RELATED PARTY TRANSACTIONS

Following is a summary of balances due to/ from related parties included in the interim consolidated statement of financial position:

	30 September 2018 (Unaudited)		31 December 2017 (Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,187	2,158	3,830	11,287
Employees' Provident Fund	-	3,595	-	4,423
Jordan Aircraft Maintenance Company	253	-	3	14
Jordan Flight Catering Company	-	5,122	-	2,294
Jordan Aircraft Training and Simulation Company	-	147	-	269
	4,440	11,022	3,833	18,287

The following is a summary of the transactions with associated companies included in the interim consolidated statement of comprehensive income:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
Jordan Aircraft Maintenance Company:	**2018**	2017	**2018**	2017
Scheduled services revenues	**45**	27	**117**	118
Repair and maintenance expenses	**347**	761	**3,211**	4,172
Jordan Flight Catering Company:				
Passenger services expenses	**4,281**	4,442	**11,396**	11,899
Jordan Aircraft Training and Simulation Company (JATS):				
Other income	**6**	-	**22**	4
Pilot training expenses	**208**	121	**606**	579

The following is a summary of the transactions with the Government of the Hashemite Kingdom of Jordan included in the interim consolidated statement of comprehensive income:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2018	2017	**2018**	2017
Scheduled services revenues – passengers	**914**	991	**3,036**	2,928
Scheduled services revenues – cargo	**301**	421	**1,158**	1,070
Chartered flights	**354**	532	**992**	1,777
	1,569	1,944	**5,186**	5,775

Compensation of key management personnel:

The remuneration of members of key management during the period was as follows:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2018	2017	**2018**	2017
Salaries and other benefits	**112**	136	**440**	370
Bonus / transportation of board members	**13**	14	**40**	38

16. PROVISION FOR VOLUNTARY TERMINATION

During January 2018, the Company signed a labor collective contract with Union of Workers in Air Transport and Tourism as requested from some of the staff who decided to terminate their services voluntarily. The agreement covering the period from 1 February 2018 to 31 March 2018. Accordingly, the Company has recoded a provision amounted to JD 1,439 for the period ended 30 September 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications (30 September 2017: the Company has recorded a provision amounted to JD 1,243 against the labor collective contract covering the period from 15 March 2017 to 30 April 2017).

17. COMPARATIVE FIGURES

Some of the comparative figures for the period ended 30 September 2017 have been reclassified to correspond with 30 September 2018 presentation with no effect on equity or profit for the period ended 30 September 2017.